



# Weekly Report

*the authoritative reference on Congress*

WEEK ENDING NOV. 13, 1953

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*The Only News Bureau Exclusively Devoted To Congress*



## —your congress this week

**Ghosts** of the Truman Administration's early days hovered over the former President's page in history. Attorney General Brownell charged that Truman knew the late Harry Dexter White was a Russian spy, but nevertheless failed to block his confirmation as U.S. executive director of the International Monetary Fund. Truman and Supreme Court Justice Clark refused to honor a House Un-American Activities Committee subpoena. Brownell agreed to testify by invitation.

Chairman Velde (R Ill.) dropped Truman's subpoena. Ex-Presidential Aide Vaughan and former Assistant Attorney General Caudle testified before Sen. Jenner's (R Ill.) Internal Security Subcommittee, and ex-Secretary of State Byrnes wired that he recalled discussing FBI reports on White (who never was indicted) with Truman. Jenner said Truman got the dossiers. Sen. Hendrickson (R N.J.) withheld judgment.

### Subversion

The probe of alleged radar espionage spread to a General Electric plant. Sen. McCarthy (R Wis.) sparred with President Pusey of Harvard over the latter's refusal to fire Prof. Wendell Furry.

Seven leaders of the independent electrical workers union refused to tell a Senate subcommittee whether they had been or were currently Communists.

### On The Stump

The Golden State glittered for Republicans as Glenard P. Lipscomb was elected in California's 24th Congressional District. GOP strength in the 435-member House rose to 219.

GOP Chairman Hall predicted his party will fulfill its campaign pledges in the second session of Congress and win the 1954 elections. But he warned that the Republicans haven't displayed "too much political 'it'" so far.

Rep. Miller (R Neb.) demanded Philip Young's resignation as Civil Service chief, saying Young has balked efforts to pluck political plums.

### Purse Strings

Secretary of the Treasury Humphrey estimated that the fiscal 1955 deficit may reach \$8-\$9 billion. He tapped the "free gold" supply to retire Treasury notes and keep the debt ceiling from cracking.

These stories are summarized from CQ's regular Weekly Report. For pages with more details, check Thumbnail Index, p. iii, inside back cover.

Intervention by top Treasury officials during the Truman Administration cost the U.S. \$10 million in taxes, a Ways and Means subcommittee reported.

Rep. Mason (R Ill.) said he will introduce a bill for a five per cent manufacturers excise tax.

The Small Business Administration was charged with disregarding Congressional intent by refusing loans to non-defense industries.

### Foreign Shores

Plans were announced for an Eisenhower-Churchill-Laniel conference in Bermuda Dec. 4-8.

Internal economic restrictions are "more basic" obstacles to European prosperity than are U.S. tariffs, according to the staff director of the Joint Congressional Committee on the Economic Report.

Syngman Rhee is trying to use American aid to build plush "memorials to his administration," instead of for basic rehabilitation, Rep. Brownson charged.

Sen. Ellender (D La.) said the Union of South Africa and British possessions in Africa are "overdoing white supremacy."

### Defense

President Eisenhower announced nearly complete elimination of racial segregation among Navy civilian employees in the South.

As a House committee began to study a possible pay raise for the armed forces, Rep. Short (R Mo.) said Congress had cut service benefits too far.

Sen. Wiley (R Wis.) called for stronger continental defenses, warning that America's retaliatory long-range bombers are vulnerable to destruction.

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## NEW TAX FOR CO-OPS

**Revenue Seekers Claim Up To \$1 Billion Could Be Added To Tax Take,  
But Must Count On Opposition From Groups At Least 10 Million Strong**

The old dispute over taxation of cooperatives is simmering again, amid indications that in 1954 it may come to a boil in a revenue-seeking Congress.

With the excess-profits tax slated to expire at the end of December and an income-tax reduction set for January, Treasury Department officials are studying the co-op tax situation in an effort to discover whether additional levies on co-ops might be one source of more revenue.

Most proponents of additional taxation for co-ops would tax their earnings at the corporate level, before distribution to co-op patrons.

Two Congressmen who have led the drive for widening taxes on co-ops -- Reps. Noah M. Mason (R Ill.) and Clifford Davis (D Tenn.) -- are, according to their offices, planning to push for early consideration of measures they are sponsoring for this and other purposes. Both Mason's HR 1559, the Tax Equalization Act of 1953, and Davis's HR 5598, the Cooperative Tax Act of 1953, are pending.

### REVENUE ESTIMATES VARY

There is controversy over what groups should be covered and how much an additional co-op tax would yield in revenue. Rep. Mason has estimated that "full" taxation of co-ops, building and loan associations, mutual savings banks, credit unions and other mutuals would bring in more than a billion dollars annually. Colin Stam, chief of staff of the Joint Committee on Internal Revenue Taxation, said in a letter to Mason last January that the Joint Committee estimated passage of the Mason bill would bring in about \$800 million more. (see Congressional Record, Feb. 9, 1953, p. 1002).

However, Stam added: "This estimate is necessarily crude because we do not have satisfactory information... on many of the groups." The Joint Committee is composed of ranking members of the tax-writing House Ways and Means and Senate Finance Committees.

Co-op spokesmen say these claims are exaggerated, are based on unreliable information, and count as co-ops groups not truly cooperatives. They say Mason's bill would put many co-ops out of business.

Two groups prominent in the movement for more taxation of co-ops are the National Tax Equality Association and National Associated Businessmen. Cooperatives are countering with their own lobby drive.

How far the tax expansion will get is debatable. Some co-op officials assertedly are much concerned, say that such a levy might be considered while other tax proposals occupy public attention. Others say they don't think the issue will be raised.

### EISENHOWER, GOP STATEMENTS

However, other co-op representatives seem relatively unworried. They emphasize that in his address at the National Plowing Contest at Kasson, Minn., Sept. 6, 1952, Dwight D. Eisenhower, campaigning for the Presidency, said: "We must always be concerned with strengthening farmer cooperatives." The Republican platform stated: "We support the principle of bona fide farmer-owned and farmer-operated cooperatives."

The more optimistic of the co-op interests feel that with these pledges on record, even though they do not specifically mention taxes, it is extremely unlikely that the Administration will recommend taxes which might prove especially injurious to co-ops.

They also emphasize that the Chairman of the House Ways and Means Committee (which would consider both the Mason and Davis bills) is Rep. Daniel A. Reed (R N.Y.), an outspoken foe of NTEA and of further co-op taxes. They believe that any effort to tax co-ops will meet formidable opposition from Reed.

But some legislators feel that cooperatives are a rich additional source for new revenue. They partly got their way in 1951 when the 82nd Congress wrote into the Revenue Act a requirement that co-ops pay taxes on unallocated earnings, and that the names of all farmer recipients of \$100 or more in patronage dividends be reported annually to the Internal Revenue Service.

Under present law, however, co-ops do not pay federal taxes on earnings that are distributed to members, whether in cash, in stock, in certificates of indebtedness, or merely by allocation on the corporation's books.

The co-ops hold that earnings from cooperative activity are not profits, do not legally belong to the co-ops, and therefore cannot Constitutionally be taxed except as income to patrons. They say that corporations would not have to pay taxes if they gave their profits back to customers instead of distributing them to stockholders.

These spokesmen say that, except for the tax exemption on earnings turned back to members, co-ops pay all taxes, "including some federal corporation" taxes, under the same laws and at the same rates as apply to other businesses.

They claim that broadening taxation of co-ops to the extent proposed by Mason would put co-ops affected out of business, and point out that a co-op tax proposal of Sen. John J. Williams (R Del.) was defeated by the Senate, 7-72, in 1951. (CQ Almanac, Vol. VII, 1951, p. 427.)

Those who advocate broadening the taxation of co-ops argue that cooperative savings passed back to members should be taxed in the same way as dividends of regular corporations. This would mean imposition of a federal income tax on savings at the co-op (or corporate) level.

Co-op interests say the public can understand the importance of the issues involved only when presented with the facts about cooperatives and their role in the economy and the nation's future.

### What's A Co-op?

A basic definition is provided by Jerry Voorhis, ex-Representative from California (Democrat, 1937-47), who now serves as executive secretary of the Cooperative League of the U. S.:

"A cooperative is a group of people faced with a common need, who decide that the best or only way to meet that need is by organizing a new business to supply directly to themselves. This they do by joining voluntarily together to pool their capital investments and thus to own, control and patronize their own enterprise."

Several major principles govern the operation of co-ops. They are: Open membership regardless of political or religious beliefs; democratic control -- one vote for each member-owner, regardless of the number of shares held; limited return on invested capital; and the distribution of all net savings to patrons.

This last principle is accomplished through a device known as the "patronage refund." Funds remaining at the year's end are distributed to recipients in proportion to their patronage. That is, each patron receives the percentage of the net savings that his purchases bear to total purchases. This idea was used as early as 1844 in Rochdale, England, when a group started a small store in Toad Lane.

The patronage refund concept is perhaps the most controversial feature of the co-op movement. Opponents of co-ops charge it is mostly theoretical -- that what actually happens in the case of some co-ops is that the money is retained for expansion purposes, while patrons get stock or promises which may or may not turn out to be good at some indefinite time in the future.

Co-op spokesmen retort that all decisions on investment of patronage refunds are made by co-op members themselves at annual meetings. Occasionally, they say,

the members decide it is sounder economics to invest their refund than to receive it immediately.

### \$20 BILLION GROSS ?

Proponents of taxing co-ops estimate that cooperatives are doing upward of \$20 billion gross business a year. Co-op interests say that's much too high; that their activity still constitutes no more than an estimated two or three per cent of all the nation's business. However, co-op spokesmen claim that three and one-half times as many families own shares in U.S. co-ops as own stock in all corporations listed on the nation's stock exchange. They say that more people own a cooperative than any other business of similar size.

The co-ops which account for this activity fall into two broad categories: Farmer and urban-consumer groups. By far the majority are in the first classification. More than half of all American farmers now belong to either marketing or purchasing cooperatives -- some of them the largest co-ops in the world. Today, there are an estimated 9,977 farm marketing and purchasing cooperatives, with total membership of 7,054,568, and an annual business volume of more than \$8 billion, according to the Farm Credit Administration.

The activities of 5,000 urban cooperatives, with 3,000,000 members, adds another billion to this total.

Both in city and rural areas, the people now own and operate through their cooperatives such widely varied enterprises as electrical generating plants and transmission lines, department stores, filling stations, funeral parlors, coal mines, bakeries, oil refineries, lumber yards, creameries and credit unions. At one end of the scale are such large groups as the Associated Press and the American Railway Express, which belong, respectively, to the newspapers and the railroads. At the other are tiny neighborhood cooperatives which engage in educational and health activities.

Co-ops have a significance entirely apart from their dollars-and-cents activities, according to their founders. They are said to provide a checkmate against monopoly, to encourage democratic participation in economic affairs, and make a significant contribution to defense efforts.

### MARKET FARM PRODUCTS

Farm cooperatives developed from native grass-roots, soon after 1800. They now market nearly every type of farm commodity, including cotton, grains, nuts, fruits and vegetables, tobacco, livestock and wool, poultry, eggs, dairy products, and others.

Purchasing co-ops are less numerous than marketing groups, but are said to be growing faster. Their main objective is to achieve savings for farmers in the purchase of such basic supplies as seed, fertilizer and gasoline. These cooperatives are particularly strong in the field of feed, fertilizer, seed and petroleum.

### Co-op Legislation

Congress has accorded special legislative treatment to cooperatives since 1916, when they were first expressly exempted from federal income taxes. In 1922, the Capper-Volstead Act was passed, authorizing formation of marketing groups by farmers for the collective sale of their crops.



Farm co-ops formed under this law were held not to be monopolies under the Sherman Anti-Trust Act, but could be sued for any action that constitutes restraint of trade. They were also specifically exempted by the Bureau of Internal Revenue from income and excess-profits taxes legislated by Congress.

Eleven years later when the Farm Credit Administration was established, one objective was to make it possible for co-ops to obtain credit at reasonable rates. When the Agricultural Adjustment Act was passed in 1935, Congress gave co-op associations specific "recognition and encouragement." It also directed the Secretary of Agriculture to aid cooperatives in reducing certain costs.

Under the Securities and Exchange Commission law, cooperatives were excluded from federal examination of any securities they might sell to their members and patrons.

Rep. Mason and others argue that, since the earliest of these laws was passed, many co-ops have grown from small neighborhood groups into "monster corporations performing multi-million-dollar transactions."

Officials of the Cooperative League and other co-op groups reply that this is an exaggeration. "If you were to pool all of the oil co-ops into one enterprise, for example, the amount of business which it did in one year would be less than the annual profit of Standard Oil of New Jersey," says one spokesman.

## Who's For Tax

### NTEA

A viewpoint similar to Rep. Mason's is expressed in an informational and lobby drive led by the National Tax Equality Association and the National Associated Businessmen, Inc. These groups evidently are planning one of their biggest drives to date to widen co-op taxes, and an official of one of them told CQ the groups believe the chances are bright for success next session.

Both groups are under the direction and guidance of the public relations firm of Vernon Scott and Loring Schuler. As Schuler puts it, "NTEA is the research arm of the drive to broaden co-op taxes. NAB, through its state affiliates, takes care of the contacts with Congress."

NTEA was organized in 1943 by a group of Northwestern businessmen who felt the bite of co-ops' competition. They called upon Scott to help them organize on a nationwide basis, and retained his firm to direct a program of fact finding and publicity.

Vernon Scott is a 50-year-old organization specialist. Born in Kentucky, he spent much of his early business life in California, where he was active in the California State Chamber of Commerce. His title is Executive Vice-President of NTEA, and he has offices at 231 S. LaSalle St., Chicago.

First president of NTEA was Ben C. McCabe, head of the International Elevator Company of Minneapolis. Current president is Garner M. Lester, who operates G. M. Lester & Company, cotton ginner, at Jackson, Miss. Chairman of the executive committee is Seth Marshall, formerly head of the large Marshall-Wells wholesale hardware company of Duluth.

### NAB

In 1946, certain businessmen decided that a new group was needed to "lobby before Congress and let its members know how certain businesses felt about co-op taxes," Schuler said. The new organization -- called United States Business Organizations -- was headed by Karl Dixon, one of NTEA's vice-presidents.

This group, now known as National Associated Businessmen, has 35 state and regional chapters. Most of these existed prior to NAB itself, and bore the name "Tax Equality" in their old titles. Scott and Schuler played an important role in establishing NAB and, at an early point, Schuler was named executive director -- a post he holds today.

Loring Schuler might easily be mistaken for a small-town businessman. He is credited with being one of the highest-paid lobbyists in Washington. He is a prominent ex-journalist, having edited both *Country Gentleman* and *Ladies Home Journal*. The 67-year-old public relations expert currently coordinates NAB's legislative activities from an office at 927 15th St., N. W.

Schuler's own activities include occasional public speaking (NAB maintains an active speakers' service), contacts on Capitol Hill, where he has long-standing acquaintanceships with many Congressional leaders; direction of NAB's letter-writing campaigns; and various other tasks. "Our work for NTEA and NAB occupies by far the majority of our firm's time and energy," he says.

Elton Kile, a grain elevator operator who is a member of the Ohio state legislature, heads NAB. First Vice President is George Botgetter of Steamboat Rock, Iowa. Among his numerous enterprises is a grain elevator.

Headquarters of NTEA are in Chicago, while NAB's main office is in Washington, D. C. According to Schuler, although no official link exists between the two organizations, "there is close coordination between Scott's office in Chicago and my own in Washington."

### "TELL YOUR CONGRESSMAN"

Both organizations are currently issuing letters and pamphlets urging support of a policy on co-op taxation. An NTEA letter mailed out to members September 18 says: "Your Congressmen are at home! . . . It is important that you tell your Members of Congress, with no uncertainty, that YOU and other taxpayers in your community want and demand tax equality legislation passed in the coming session of Congress."

A leaflet accompanying the letter spells out in point-by-point detail how each NTEA member should contact his Congressmen, and what to say specifically.

"Write TODAY to your own Congressman and two United States Senators demanding support of the provisions of the Mason bill (HR 1559)," exhorts another recent leaflet. "Urge them to contact members of the two tax-writing committees of Congress -- the House Ways and Means Committee and the Senate Finance Committee -- NOW! . . . Congressman Mason will appreciate receiving copies of your letters." Circulation of NTEA's bulletins and other mailings has run into many millions, according to Schuler.

NAB also is currently urging state chapter members to contact their Congressmen at home. Schuler terms this "the tried and true way of getting things done." Its members, who frequently come to Washington to visit their Congressmen are kept informed of co-op tax progress through a monthly bulletin.

"We have no quarrel with the cooperative movement as such," says Schuler. "We are merely asking competitive tax equality, and we're convinced that stronger sentiment for this exists in Congress than ever before."

Schuler contends that a misleading impression of NTEA and NAB has been created by Congressional attacks on both organizations. In 1951 Rep. Reed attacked NTEA on the House floor as an "unscrupulous racket," whose "vicious and inflammatory literature" constitutes "the most brazen attempt yet made by any group of men to destroy a basic industry, viz; American agriculture."

An investigation of both groups conducted in 1950 by the House Select Committee on Small Business, headed by Rep. Wright Patman (D Tex.), concluded that their claim to represent small business was "false and misleading." The Patman report emphasized NTEA's acceptance of contributions from big-business concerns, particularly of 16 public-utility companies.

This conclusion is denied by officials of both groups, including Schuler, who asserts that the bulk of members are small business, since most big business concerns are not yet worried by co-op competition.

#### ... AND THEIR ALLIES

Certain other groups are joining NTEA and NAB in their drive for broader taxes on co-ops. For example, a letter mailed to some Congressmen by the Tennessee Business Mens' Association on July 8 urges support of the Davis bill on the grounds that: "The time has come when America must decide whether it will continue to operate under the free enterprise system or whether that great heritage will be destroyed through tax exemption accorded co-operatives."

Certain trade associations are active in the "tax equality" fight, while large numbers of banks have joined in the effort to impose a federal income tax on building and loan associations and mutual savings banks, Schuler claims.

Rep. Mason is mailing out reprints of two articles, bearing his by-line, and published in Readers' Digest, urging broader co-op taxes as part of a move to close tax "loopholes." On the back of each is a "Dear Taxpayer" letter, signed by Mason and calling on readers to contact their Congressmen to help close these loopholes.

#### Against The Tax

In preliminary skirmishing over a drive for broader co-op taxes, the NTEA-NAB front is being opposed by a coalition of organizations which represent the nation's varied cooperative activities.

Farmer purchasing and marketing co-ops today have regional associations of their own, and most of these are associated with the National Council of Farmer Cooperatives, a legislative group, and the American Institute of Cooperation, a research organization, both located in the same headquarters building in Washington.

Urban cooperatives have separate regional federations, which are affiliated with the Cooperative League of the U. S. and with National Cooperatives, Inc. Main offices of both of these organizations are located in Chicago, and the work of each is coordinated with that of the other. (Although the Cooperative League claims to have more farmers as members than either the National Grange or the Farmers Union, it is not generally classed as a farm organization).

Differences in basic philosophy sometimes divide the cooperative coalition. Co-op groups are occasionally on opposite sides of the fence on specific legislative issues.

However, they have found a common cause in opposing efforts to tax cooperative savings. CQ found that the farm organizations are prepared to resist a co-op tax drive just as stoutly as urban groups, should one develop next session.

#### NATIONAL COUNCIL

The National Council of Farm Cooperatives operates as a conference body speaking for farmer co-op marketing and purchasing organizations. It includes 110 regional and state federations of local co-ops which, in turn, have more than 2.6 million individual members.

The Council is currently working to present facts concerning co-ops through speeches, newspaper and magazine stories, conferences, and radio programs. "We're constantly alert to the possibility of future attacks on farm co-ops, and we're ready to meet them if they develop," said an official.

Organized in 1929, the Council has its headquarters in the National Grange building at 744 Jackson Place in Washington, one block from the White House.

Frank Hussey, a Maine potato farmer who is head of the Maine Farm Bureau, is president. Executive vice president is Homer L. Brinkley, president of the Council in 1944 and 1945 and former general manager of the American Rice Growers Cooperative Association. Kit H. Haynes, formerly with the Tennessee Farm Bureau, edits the Council's weekly newsletter, "Washington Situation" and other publications.

Although the Council works for and against legislation, it does not participate in elections. Its contacts with the Hill on tax matters are handled by a lawyer, L. James Harmanson. A former agent for the Federal Bureau of Investigation, Harmanson works to implement the policies established at annual Council meetings.

Much of the Council's work is done by standing committees. Among these are legal and tax, marketing and foreign trade, labor-management, public relations, transportation, and farm credit committees.

Among the current legislative objectives of the Council are adequate soil conservation, efficient transportation for farm products at reasonable rates, opportunity for farmers to own co-op credit services; and elimination of unfair trade practices.

#### AMERICAN INSTITUTE

Another group representing farmer co-ops is the American Institute of Cooperation. The Institute is described as the research and educational agency for farmer

cooperatives, while the National Council is the active lobbying group. Officials emphasize that there is no connection between the two organizations.

The Institute was started in 1923 during a world dairy conference, when Charles W. Holman, head of the National Milk Producers Federation, and other farm leaders decided that such an educational group was needed.

Organized as a college, the Institute issues publicity material explaining the function of cooperative savings and other features of co-op activity. J. K. Stern, president of the staff believes that co-ops' biggest fault has been their failure over the years to adequately present the facts concerning their operation to the public. "However, co-ops are beginning to fill this gap with carefully-planned public relations programs," he adds.

#### COOPERATIVE LEAGUE

One of the hardest-hitting opponents of a drive to broaden co-op taxes, should it develop, will be the cooperative League of the U. S. Founded in 1916 for the purpose of furthering consumer cooperation throughout the nation, the League today is credited with having the most militant leadership in the co-op field.

The League is a federation of purchasing, service and consumer cooperatives, both urban and rural. Its organizations -- regional and state wholesale co-ops and insurance companies -- have a total membership of about two million families. Two national organizations -- National Rural Electric Cooperative Association and Credit Union National Association, with a total membership of more than nine million families -- are also members of the League.

Also associated with the group are a wide variety of state and local cooperatives covering virtually every field of consumer cooperative activity.

President of the Cooperative League is tall Murray D. Lincoln, head of the three Farm Bureau Insurance Companies with headquarters in Columbus, Ohio, which have amassed two and one-half million auto, life and fire policies in force, and assets of \$158 million.

#### MISUNDERSTAND STATUS

Much of the League's leadership is also provided by Jerry Voorhis, executive secretary, who directs League activities from the group's Chicago headquarters. Voorhis blames public misunderstanding of the true tax status of cooperatives for the fact that attempts are still being made to legislate more co-op taxes.

Director of the League's Washington office is a red-haired, 43-year-old legislative expert named Wallace Campbell. Campbell has been active in the League for the last 19 years. He says the depression helped to awaken his interest in co-ops.

Campbell's assistant, a young ex-newspaperman named Jack Jennings covers Washington for the League's weekly newsletter to members.

"Our philosophy of lobbying is that if you present the true facts to Congressmen, you can usually expect fair treatment," says Campbell. "For this reason, we don't spend a lot of money wining and dining legislators." Occasionally, however, the League invites Congressmen to a luncheon to exchange viewpoints on specific issues.

Most of the League's strength comes from its grass-roots membership. From its offices at 1025 Vermont Avenue, Campbell directs the telegram and letter-writing campaigns which backstop his work on the Hill.

The League's biggest job is cooperating with other national groups presenting and defending the consumer viewpoint before Congress. Through periodic conferences with church, labor, small business, farm, consumer and other organizations, the League is able to mobilize a degree of support out of proportion to its relatively meager staff and budget.

It was the League which conceived CARE (Cooperative for American Remittances to Everywhere) and Murray D. Lincoln is head of that agency. The League is the official U. S. member of the International Cooperative Alliance, the world organization federating 106 million cooperators.

Through its weekly mimeographed Cooperative News Service and printed magazine, Co-op Report, the League maintains a steady flow of up-to-date news about cooperatives. It is also a main source of literature and films on this subject.

#### CREDIT UNIONS

Occasionally fighting with the League against co-op tax threats is the Credit Union National Association. This movement, started in the U. S. by Edward A. Filene, millionaire Boston merchant, and others, today includes leagues of credit unions with thousands of members all over the nation.

A co-op credit union is a group organized to promote thrift among its members and to accumulate a fund from savings to make loans to members. The rapid growth of these unions has lent considerable political strength to CUNA.

Headquarters are at Madison, Wis., but CUNA maintains an active and effective set-up at Washington and in the states. Handling the Washington end is a Tennessean, Hubert M. Rhoades. Now 56, Rhoades has spent most of his working career with CUNA and is regarded as one of the most effective lobbyists in the co-op movement.

#### TAX FIGHT MAY COME

Rhoades and other CUNA officials are preparing for the fight over co-op taxes which, they believe, may come next session. Before Congress adjourned, Rhoades talked personally to Reps. Mason, Reed, and other members of House Ways and Means to make CUNA's opposition to these taxes clear.

At present, CUNA officers and members are conferring with Congressmen home for the recess. "We've found that when Congressmen realize how important co-ops are, they're frequently ready to aid us," asserts Rhoades.

Rhoades terms himself the "operating end" of CUNA's legislative machinery. He says the lobbying really starts with state resolutions, which are acted on by the national board, then translated into a directive to have some specific bill introduced in Congress and fought through.

CUNA officials reportedly wrote the Federal Credit Union Act, and claim credit for its passage in 1934 -- the year, incidentally, when CUNA was formed.



In addition to its legislative activity, CUNA supplies such services as uniform accounting systems, and conducts educational and public relations campaigns.

It is presently seeking passage of legislation, which its officials prepared, to permit credit unions to make refunds of interest to borrowers at the end of the year. This bill, S 1665, introduced by Sen. J. Glenn Beall (R Md.) was passed by the Senate and is now pending before the House Banking and Currency Committee.

### Other Groups

Several other co-op organizations will be closely watching tax developments in Congress. National Cooperatives, Inc., is a group which acts as purchasing agent for co-ops all over the nation, buying food and other commodities for wholesale distribution.

In another field, the National Milk Producers Federation (See CQ Weekly Report, p. 625) does similar work for cooperative dairymen. The legislative interests of electric power and telephone co-ops are handled by the National Rural Electric Cooperative Association (CQ Weekly Report, p. 1096.)

Most of the leading health associations are members of the Cooperative Health Federation of America, an organization of urban and rural consumer-sponsored health plans in the U. S. and Canada.

Other groups include the Cooperative Food Distributors of America, formed to promote retailer-owned co-op grocery wholesales; the North American Student Cooperative League, federation of campus cooperatives; the Council for Cooperative Development, linking trade unions and cooperatives; and Rochdale Institute.

### Looking Ahead

Officials of most co-op groups look ahead to the future with confidence, but say some leading problems of co-ops must be solved.

One of these has to do with getting co-ops started. Because a young cooperative has to retain most of its patronage refunds to build reserves, it makes heavy demands on the faith of its members, who frequently receive no immediate tangible benefits.

Another problem is presented by malpractices which exist among co-ops, just as they do among all types of business.

And some interests have urged anti-trust laws be revised to correct what they regard as certain co-op "abuses."

Co-op interests agree, however, that any effort to tax co-op refunds would be a heavy and unfair blow to the co-op movement.

They will be opposed next session by those who say that co-ops are making millions of dollars of tax-free "gravy" at the expense of taxpayers, that paying more taxes would not seriously hurt them, and that they should, accordingly, be taxed to a greater extent than at present.

### Reed vs. NTEA

In 1951 Rep. Daniel A. Reed (R N.Y.), Chairman of the House Ways and Means Committee, attacked the National Tax Equality Association as an "unscrupulous racket" (see Congressional Record, March 20, 1951, p. 2793). CQ contacted Vernon Scott, executive director of NTEA, for a statement, and major points made by Reed and Scott follow.

**Reed:** "(NTEA directs) its vicious propaganda against the farm cooperatives. To get contributions, this racketeering organization has propagandized businessmen with false statements to the effect that if farm cooperatives were taxed the revenue to the government would amount annually to over \$800 million. This is, of course, absolutely false and nothing more nor less than getting money under false pretenses.

"What are the facts?...Mr. Colin Stam, chief counsel of the Joint Committee on Internal Revenue Taxation, stated to the Ways and Means Committee that in his opinion the loss of revenue from the removal of the exemption of taxation from cooperatives would not exceed \$18 million. Secretary Snyder testified on cross-examination following the presentation of the Truman tax bill that the removal of the tax exemption on cooperatives would not exceed \$25 million."

**Scott:** "Rep. Reed's charges are absolutely untrue. Subsequent to his charge that NTEA's estimate of \$800 million to be gained from full co-op taxation was false, the Joint Committee on Internal Revenue Taxation made a study of this matter. They were asked the result by Rep. Noah M. Mason (R Ill.), sponsor of HR 1559, the Tax Equalization Act of 1953, which calls for full taxation of co-ops, building and loan associations, mutual savings banks, credit unions and other mutuals.

"They replied: 'Some six months ago we made an estimate of the revenue which would be raised under your bill. The estimate was about \$800 million in addition to the amount resulting from the Revenue Act of 1951.'

"Congressman Reed's statement that NTEA is out to destroy co-ops assumes that requiring these groups to pay taxes on corporate profits would destroy them. It is difficult to understand why co-ops would be destroyed any sooner than would any other corporation required to pay taxes on its earnings.

"Regarding Mr. Reed's other accusations, his favoritism of cooperatives is well known."

On Nov. 9, Rep. Mason asserted, in connection with the tax study being conducted by the Ways and Means Committee, that "proper taxation of certain kinds of businesses that now pay little or nothing" would offset revenue losses that would result from some tax revision proposals now being considered by the Committee.

"There is neither rhyme nor reason in permitting cooperatives to do \$20 billion of business in competition with taxpaying businesses without paying the same tax themselves, or in permitting building and loan associations and credit unions to do a nearly complete banking business on what amounts to a tax-exempt basis," he said.

# FARM COOPERATIVES

(MARKETING, PURCHASING, & SERVICE --  
CROP YEAR 1951)

# CREDIT UNION OPERATIONS

(CALENDAR YEAR 1951)

(Dollar figures are in thousands)

	1	2	3	4	5	6	7	8
State	No. of Assns.	No. Doing Business In State	Members In State	Net Business Done	No. of Active Assns.	No. of Members	Net Earnings	Total Assets
Ala.	66	67	61,577	\$ 27,766	*111	*58,277	*\$574	*\$12,230
Ariz. (1)	15	21	44,870	19,383	36	10,877	92	2,298
Ark.	107	120	55,248	62,134	*42	*8,346	*50	*1,206
Calif.	461	468	122,817	700,691	684	432,291	4,044	106,363
Colo.	117	130	77,759	162,905	135	55,661	482	13,783
Conn.	28	35	16,702	41,621	314	146,594	1,073	37,466
Del.	14	18	15,912	18,692	7	4,352	39	909
Fla.	107	110	16,503	107,022	245	83,811	867	19,142
Ga.	79	83	148,948	118,196	180	72,871	463	14,002
Idaho	109	125	58,074	87,048	36	7,929	*48	1,312
Ill.	578	599	613,099	586,672	1,018	510,300	4,695	124,971
Ind. (1)	158	181	383,807	315,885	340	*156,328	*1,145	36,175
Iowa	710	733	377,317	456,456	216	60,828	377	14,523
Kan.	351	373	151,773	228,697	154	50,557	428	11,040
Ky. (1)	85	99	383,450	108,601	128	*39,902	*272	10,285
La.	55	60	19,904	40,493	213	73,533	*500	12,454
Maine	27	33	22,263	32,981	53	22,200	123	3,568
Md.	62	68	71,592	75,534	96	54,397	300	7,685
Mass. (1)	39	42	31,317	57,269	558	359,907	1,407	88,483
Mich.	233	249	183,606	240,960	451	274,459	2,434	76,038
Minn.	1,267	1,277	561,453	607,318	339	11,820	865	32,736
Miss.	130	136	120,637	108,633	36	11,667	85	1,806
Mo. (1)	289	301	390,971	236,620	424	145,305	821	34,289
Mont.	172	186	52,587	81,084	50	11,732	85	2,135
Neb.	415	434	214,258	241,029	104	34,482	259	7,256
Nev.	6	9	863	2,523	16	3,593	20	490
N. H. (1)	10	18	10,552	29,371	17	9,663	98	3,259
N. J.	58	66	39,208	128,731	335	165,683	929	32,849
N. M.	32	39	11,686	20,826	39	7,636	*44	1,016
N. Y.	383	394	166,267	385,766	788	396,235	2,594	77,896
N. C.	92	102	313,030	89,848	222	57,854	*263	11,369
N. D.	560	575	207,288	251,598	90	16,708	110	5,249
Ohio	303	316	334,375	375,122	699	335,607	2,636	74,157
Okla.	201	216	162,483	155,159	91	37,148	*332	9,178
Ore.	133	144	69,420	144,478	76	29,804	270	7,035
Pa.	182	200	156,081	265,996	690	356,601	2,306	65,822
R.I.	5	10	4,808	8,508	54	61,534	620	25,487
S.C.	24	27	36,587	9,828	34	13,946	70	1,842
S.D.	305	319	138,453	140,923	43	8,083	53	1,523
Tenn.	106	116	163,323	51,689	167	81,238	765	19,552
Tex.	548	559	204,547	286,098	540	214,454	2,335	54,033
Utah	74	81	35,612	68,092	89	26,266	203	6,751
Vt.	37	47	24,951	63,680	32	5,643	16	492
Va.	123	131	213,005	117,572	129	51,177	*284	7,326
Wash.	193	205	100,161	220,790	194	72,976	682	15,673
W.Va. (1)	45	53	47,564	15,785	73	20,926	147	3,533
Wis.	861	885	403,665	475,499	556	215,014	1,858	54,710
Wyo.	27	36	14,195	32,096	22	4,249	27	668
Dist. of Col.	1	--	---	---	125	129,239	852	23,001
U.S. Total	9,977	---	7,054,568	\$8,103,668	11,081	5,119,603	\$39,039	\$1,175,065

\*Estimate

(1) Columns 5-8 based on fiscal year.

Sources: Farm Credit Administration  
Monthly Labor Review



## How A Co-op Works

How does a cooperative work? (CQ has obtained the following explanation from co-op groups, notably the American Institute of Cooperation.

A co-op is a voluntary organization formed to pool the efforts and funds of members and help them to solve problems better than they could individually.

Most co-ops are set up as business corporations by a group of people who get together for a common purpose. In contrast to the ordinary corporation, however, the co-op serves only as agent for its members. The members of a cooperative serve themselves. They are both the owners and users of the service.

When a family joins a co-op -- whether it is a huge regional group marketing and purchasing farm products and supplies or a tiny neighborhood school enterprise -- it pays a fee that helps to cover overhead of the co-op and to establish an operating fund.

When the family buys or sells through the co-op a record is kept. Any earnings made by the co-op are distributed at the end of the year to members, in proportion to the business that each has done with the cooperative. This distribution may be in cash, stock, merchandise, certificates of indebtedness, or merely by allocation on the corporation's books.

These earnings are known as patronage dividends, and they are distributed under a contractual agreement agreed to by all members of the co-op.

(Critics say this money is often retained for expansion purposes by the co-op. Co-op interests emphasize that the decision as to how the money is to be used is always made by members themselves.)

### MANAGED BY BOARD

In cooperatives, basic policy questions are decided at general meetings of the members, who also elect the board of directors, responsible for management of the co-op.

Each member has one vote in meetings, regardless of how many shares he may own. This is the usual practice, although it is not universally followed.

Member-patrons are the sole owners of cooperatives, unless non-voting preferred stock has been sold. They supply the capital needed to run the co-op by purchasing shares of capital stock or other equities and/or paying membership fees.

Part of the money needed may also be borrowed from members or others. Purchasing cooperatives usually encourage cash trading. In transactions with members, underpayments are made for member products marketed, overcharges are made for goods and services purchased. This is done to cover unforeseeable operating expenses, including interest charges.

Co-ops pay fixed interest on the capital provided by members. Liability of members is limited to the assets of the co-op, and no member can lose more than he furnished to the cooperative in case it fails.

## PRESSURE POINTS

### SOCIAL SECURITY STUDIED

A conference of business, labor and professional leaders, including members of President Eisenhower's Administration urged Nov. 8 that all working Americans be included in the Social Security retirement system.

This recommendation was made by the American Assembly, organized by Mr. Eisenhower in 1950 when he headed Columbia University. The Assembly was created to study leading issues of national interest.

The Assembly also recommended revision of the social insurance system to coordinate responsibilities now scattered among different government units. Among those at the conference, held at Harriman, N.Y., were Mrs. Oveta Culp Hobby, Secretary of Health, Education and Welfare; her undersecretary, Nelson A. Rockefeller; and Dr. Arthur F. Burns, economic adviser to the President.

### TRANSPORTATION POLICY

Undersecretary of Commerce Robert B. Murray, Jr., told delegates at the 33rd Annual meeting of the American Petroleum Institute Nov. 9 that the government should not be in transportation except as an absolute necessity.

"We want government out of the transportation business except to the extent required by national security needs and those promotional activities and reasonable regulatory processes which can be clearly justified as responsibilities of the federal government," he declared.

Murray said the government's sale of the federal barge lines would benefit both taxpayers and the Treasury.

### CONSERVATION AID

A need for greater coordination of technical soil conservation assistance to farmers and ranchers was voiced Nov. 6 at the eighth annual convention of the Soil Conservation Society of America.

H. Wayne Pritchard of Des Moines, Iowa, executive secretary, said this coordination is being sought "because of the tremendous conservation job facing America." He emphasized the need for this service in view of the reorganization of the U.S. Department of Agriculture which affects the Soil Conservation Service.

### REALTORS ASK U. S. AID

America's realtors want the Eisenhower Administration to support a high rate of home building, Charles B. Shattuck, president of the National Association of Real Estate Boards, said in a press conference in Los Angeles, Nov. 9.

Shattuck declared the real estate industry would like to produce from a million to one and a half million new homes a year.

Declaring the supply of homes is not adequate even for the present market, Shattuck said: "We must pour in new housing at the top in order to get rid of this worn-out housing and build America better."



## Lipscomb Wins In California

State Assemblyman Glenard P. Lipscomb (R), 39, Nov. 10 won a special election in the 24th California, Los Angeles Congressional district over three opponents in an unusual four-way contest.

Lipscomb fills the vacancy caused by the resignation of Norris Poulson (R) on June 11. Poulson was elected mayor of Los Angeles on May 26. Lipscomb's win brings House Republican membership to 219, and there are 215 Democrats and one independent in the House.

The margin of victory for Lipscomb, former executive secretary to Vice President Richard M. Nixon, was about 8,300 votes. Complete returns from the district's 221 precincts gave Lipscomb 42,880 votes to 34,545 for George L. Arnold (D), 3,616 for John L. E. Collier (R) and 1,518 for Irving Markheim (D). The vote was unusually heavy for a special election.

Enthusiastic over their recent surprise wins in traditionally Republican districts in Wisconsin and New Jersey (CQ Weekly Report, pp. 1243, 1311), Democrats had high hopes of winning the 24th California district because of the unusual character of the race. Both Lipscomb and Collier are state assemblymen and well known in their two assembly districts, which make up the 24th Congressional district. Democrats Arnold and Markheim were less well-known. But Markheim, a perennial candidate, was not a real contender and Republicans feared and Democrats hoped that Arnold would get more votes than either Republican. But Collier polled a surprisingly poor vote, and the GOP split did not show up in the ballot boxes.

There was no cross-filing of the candidates on both tickets, as permitted under California law, because there was no primary.

### HAD PARTY ENDORSEMENTS

Lipscomb and Arnold were endorsed by state and local party leaders. Lipscomb claimed that his election would be a "vote of confidence" in President Eisenhower who carried the district handily in the 1952 election. He favored strong measures to curb the Communist menace, abroad and subversive activities at home. He also favored government economy, lower taxes, strong national defense and a halt to "creeping socialism." His theme was "prosperity based on peace, not war."

In the closing days of the campaign Lipscomb took up charges made on Nov. 6 by Attorney General Herbert Brownell, Jr., that former President Truman had promoted the late Harry Dexter White to a high post despite FBI reports that White was a Russian spy. (See page 1339.) Lipscomb said he was "sincerely concerned" about the report. "I am now proud, as a candidate for Congress, to know that the Eisenhower Administration, which I am supporting, has dropped ... three times as many security risks from government payrolls" as the Truman Administration did in five years, he said.

Arnold was "deeply shocked by the vicious and obviously political statement by Attorney General Brownell attacking former President Truman with a story nine

### HOUSE BREAKDOWN

Following the victory of a Republican in California Nov. 10, the political alignment of Members elected to the House was:

Republicans	219
Democrats	215
Independent	1
Total	435

years old." He charged that one of the factors motivating Brownell was to inject the issue into the California special election. Arnold also campaigned against Communism, and claimed that he would support the President on foreign policy issues. But Arnold roundly criticized the GOP Administration on such domestic issues as reductions in the military budget, "give-aways" of natural resources and "hard money" policies of a "big business" government. Arnold's campaign occasioned interest because he is the son of Thurman Arnold, former Assistant Attorney General, and son-in-law of Drew Pearson, Washington columnist.

Collier campaigned against GOP "machine politics" and claimed he was cheated out of the GOP nomination. He sought to appeal to the independent vote, and carried on a door-to-door campaign.

Lipscomb's campaign was enlivened by parades, balloons, searchlights, bandwagons, block parties and coffee parties. Arnold's was featured by labor and Young Democratic club support, and Sens. A. S. Mike Monroney (D Okla.) James E. Murray (D Mont.) and Estes Kefauver (D Tenn.) spoke in his behalf.

Republicans hailed Lipscomb's victory as "an endorsement of the Eisenhower Administration ... and a good omen for 1954." President Eisenhower was pleased by the result. Democrats saw "striking gains" in their vote in the District and claimed the vote showed the national trend is toward the Democratic party. (CQ Weekly Report, p. 1288.)

### Post Mortem On N. J.

Harrison A. Williams, Jr., first Democrat to represent the present Sixth New Jersey district in Congress, said in Washington Nov. 10 that his victory in a special election Nov. 3 was the result of his attacks on "bossism" within the GOP Union County organization, his endorsement of the voting record of Clifford P. Case (R), his predecessor, and discontent with the Eisenhower Administration. He also said that he "benefitted greatly" from the crime and corruption issue, which he called "the overriding issue" in the state gubernatorial contest. (CQ Weekly Report, p. 1311-12.)

Williams said that George F. Hetfield, his Republican opponent, campaigned almost solely on the issue that the President needed another Republican in Congress. Williams said he didn't think that was much of an issue, and believed that he will give the President more support than Hetfield would have. "My views are more in accord with Mr. Eisenhower's than Mr. Hetfield's -- particularly in the field of foreign affairs," he told reporters.

Williams characterized his district (Union county) as a "50-50" district -- half residential, half industrial. He said that he ran best in the industrial areas, but got "a nice response" from the residential areas. He said more voters are voting as independents, even in towns which have been overwhelmingly Republican in the past.

He estimated that he spent about \$3,000 on his campaign and claimed that the Republicans spent that much money on "a bandwagon" alone. The GOP conducted a "sound and fury" type of campaign during the last few days before the election which hurt their cause, according to Williams. "People see through that kind of selling technique," he stated.

## State Roundup

**ALABAMA:** For the first time in almost 30 years the Republican party will be eligible to have a statewide primary election in May, 1954, because of the showing the GOP made in the 1952 Presidential election.

**FLORIDA:** Acting Gov. Charley E. Johns (D Fla.) Nov. 10 suspended five members of the State Racing Commission for alleged malfeasance in office. He also suspended the members of the Turnpike Authority. All had refused his request to resign. They were appointees of the late Gov. Dan McCarty (D).

**NEBRASKA:** Chairman A. L. Miller (D Neb.) of the House Interior Committee Nov. 9 said there was no basis for rumors that he plans to run for governor of Nebraska.

**OHIO:** The City Charter Committee, a fusion of Democrats and independent Republicans, Nov. 9 won five of nine seats on the Cincinnati City Council and ousted the regular Republican organization from control.

## GOP Meeting

Chairman Leonard W. Hall of the Republican National Committee told a conference of Western Republican leaders in San Francisco Nov. 7 that the Republicans will fulfill their campaign promises in the next session of Congress and go on to win the 1954 election. To date the Republicans have not indicated that they have "too much political 'it'," according to Hall.

On Nov. 10 Sen. John Sherman Cooper (R Ky.) urged President Eisenhower to make radio and television reports to the electorate to explain his policies.

## FARMER AND POLITICS

### FARM CONFERENCES

Secretary of Agriculture Ezra Taft Benson Nov. 9 announced a series of six conferences on farm policy with representatives of the corn, cotton, wool, dairy, peanut, and rice industries. The discussions on individual commodities will be followed by another meeting of the National Agricultural Advisory Commission Nov. 23. (CQ Weekly Report, p. 1293.)

### DROUGHT RELIEF

Secretary Benson said Nov. 6 that cooperative drought relief programs -- with the federal government defraying part of the cost of transporting hay -- have been or are being negotiated with eight states. Nov. 10, he announced a drought area tour for Nov. 12-16. (CQ Weekly Report, p. 1292.)

## BENSON CROSS-FIRE

Sen. Allen J. Ellender, Sr. (D La.) Nov. 8 predicted Congress will continue existing farm price supports "whether Secretary of Agriculture Benson wants them or not." Sen. Hugh Butler (R Neb.) Nov. 8 defended Benson, and the Secretary Nov. 6 said he did not plan to run away from the farm fight by resigning.

## ASKS MARKET EXPANSION

Herschel D. Newsom, Master of the National Grange, Nov. 11 called for emphasis on expansion of foreign markets -- rather than production controls -- to maintain farm prosperity. Controls and supports, however, cannot be ended suddenly, he said. Nov. 6, Allan B. Kline, president of the American Farm Bureau Federation, also said acreage controls "won't solve the (price) problem ... There is no substitute for markets..."

## AGRICULTURE REORGANIZATION

William Voight, Jr., of the Izaak Walton League of America said Nov. 7 that the League will "wait-and-see" how the Agriculture Department reorganization works out. Voight said the League's earlier criticisms on conservation aspects of the reorganization had been satisfied to a degree. (CQ Weekly Report, p. 1316.)

## CONGRESSIONAL QUOTES

Rep. Earl Wilson's (R Ind.) Nov. 9 newsletter included these comments: "History is going to record, I am sure, that the first year of the Eisenhower Administration has been little short of divinely inspirational by the manner in which our rapid descent toward national ruin was slowed down to a walk. I am equally sure that history also will record the second and following years of the Eisenhower regime as a period of restoration of national stability."

In a televised California address, Rep. Samuel W. Yorty (D Calif.) said Nov. 8: "Those who disseminate distorted propaganda while giving lip service to democracy are a menace to our free institutions ... the growing tendency of the Republicans to use advertising agency techniques to sell their candidates and policies is a subject matter worthy of our most careful scrutiny."

"Hardening of the political arteries," Rep. Peter Frelinghuysen Jr. (R N.J.) told his constituents in his Nov. 12 newsletter, "is insidious, and frequently fatal. It can be prevented," he said, "Only by sound and progressive policies; by a willingness to tackle tough problems and an aggressiveness in securing public support for Republican programs. As a conservative party we must preserve the best of previous accomplishments. As a liberal party we must work out sound solutions for the serious problems ahead."

Rep. Charles R. Howell (D N.J.) told his constituents in his Nov. 9 newsletter: "The New Jersey (election) returns ... are being variously interpreted. Some say they were a repudiation of the Eisenhower Administration, others say they were affected only by the impact of state issues and conditions in New Jersey. The truth, in my opinion, lies somewhere in between the two extreme viewpoints."



## Assignment

**JUVENILE DELINQUENCY** -- Chairman Francis Case (R.S.D.) of the Senate District of Columbia Committee named three committee members, J. Glenn Beall (R Md.), Mike Mansfield (D Mont.) and Frederick G. Payne (R Maine) to sit with the Senate Judiciary Subcommittee to Investigate Juvenile Delinquency when it conducts the Washington, D.C., phase of its nation-wide study scheduled for Dec. 10 or 15.

## Action

**UN-AMERICAN** -- The House Un-American Activities Committee Nov. 12 indefinitely postponed a scheduled hearing involving charges that officials of the Truman Administration, including the former President, promoted Harry Dexter White, knowing White to be a spy. (See pages 1339 ff.)

Truman and Gov. James F. Byrnes (D S.C.) Nov. 10 were subpoenaed for appearance, but both declined. President Eisenhower Nov. 11 said he wouldn't have subpoenaed Truman, and Democratic members of the Committee charged the subpoena was issued without consulting them. Supreme Court Justice Tom C. Clark, former Attorney General, also, was subpoenaed. Nov. 10.

In announcing the postponement, Chairman Harold H. Velde (R Ill.) said he was not dropping the matter and hoped to call Truman later. Attorney General Herbert Brownell Nov. 12 accepted a Committee invitation to appear.

**MILITARY PAY** -- Chairman Dewey Short (R Mo.) of the House Armed Services Committee announced Nov. 7 his Committee has started a study of pay schedules in the uniformed services.

He said Congress had gone too far in cutting benefits of servicemen, and indicated he might try to get them a general pay raise. He admitted it would have tough going in Congress next year.

Short cited Congressional action in recent years limiting officer promotions, flight pay, cutting post exchange and commissary services and medical care for dependents and shortage of housing in some military areas. He said each cutback amounted to a pay cut.

## New Hearings

**WHITE REPORT** -- The Senate Internal Security Subcommittee Nov. 12 opened hearings on the Harry Dexter White spy story. (See pages 1339ff.)

In closed session, former Assistant Attorney General T. Lamar Caudle said he "became alarmed" about a 1946 FBI report on White, but "I cannot remember its contents," he told reporters. He asserted the report contained no proof of its statements linking White to Soviet espionage. Also heard in closed session were Mrs. Ruth Campbell, former secretary to Major Gen. Harry Vaughan, and Vaughan. Committee counsel said "only a few unimportant things" were touched upon.

Gov. James F. Byrnes (D S.C.) replied to questions asked of him by mail. Byrnes said he was "satisfied that

had the (White) nomination not been acted upon (by the Senate) he (Truman) would have stopped confirmation." Byrnes said he couldn't remember who handled a Truman phone call to then-Secretary of the Senate Leslie Biffle in regard to the White nomination. The governor wrote that he recalled "discussing some of the statements in the FBI report" with Truman, but that the FBI "does not sit as a court but reports all information."

Later Nov. 12, in public session, Caudle testified that the FBI report was eight to 15 pages long and "exclusively devoted to White." He was asked if the report indicated White was a "member of the Communist underground."

"As I remember, it did," Caudle replied. After reading it, he "became alarmed," and called the office of Tom C. Clark, then Attorney General. He was told that Clark was in Johns Hopkins Hospital, but said that later he "did deliver the memorandum" and the report to Clark. Clark was admitted to Johns Hopkins Hospital on Feb. 15, 1946, and discharged on February 20, according to Hospital records. White was confirmed by the Senate on February 6.

Caudle said he told Clark: If the facts were true, "the man (White) was thoroughly unfit for public office."

Vaughan told the Subcommittee he had no recollection of getting any reports on White, but if Brownell said such reports were sent to him, "I would not question it for a moment." Vaughan, who was military aide to Truman throughout the former President's tenure of office, said he got anywhere from two to 20 FBI reports a week. He added he was sure Truman received such reports, but that he (Vaughan) did not keep a record of them.

At the conclusion of the hearing, Chairman William E. Jenner (R Ind.) said it is "apparent to me that derogatory information" on White had been communicated to Truman, and "Brownell, Byrnes, Caudle and Vaughan said the reports went to Truman."

Another Subcommittee member, Sen. Robert C. Hendrickson (R N.J.) was asked if he felt it had been shown that the reports were seen by Truman. "Only by implication," said Hendrickson.

**SOCIAL SECURITY** -- The House Ways and Means Subcommittee on Social Security began hearings Nov. 12 on its extensive study of social security legislation.

The first witness, Robert M. Ball, acting director of the Bureau of Old Age and Survivors' Insurance, said that 30,145 persons living in foreign countries are receiving benefits totaling about \$15.8 million this year.

In an opening statement, Rep. Carl T. Curtis (R Neb.), chairman of the Subcommittee, said increasing payments to persons living overseas "may create a number of problems" in the light of the declared purpose of the social security program to guard against "economic insecurity for the American people."

Testimony from Ball brought out that persons now living abroad became eligible for benefits either by



working in the U.S. at one time or, as U.S. citizens, by working for U.S. firms abroad. Some of the 30,145 foreign beneficiaries were said to be aliens.

Ball said that payments have been discontinued to 1,500 eligible beneficiaries in Russia or other Iron Curtain countries. But he suggested that the law be changed to prevent any retroactive payments to these persons.

**SMALL BUSINESS** -- The House Committee on Small Business held a hearing in Chicago Nov. 6 at which Rep. Timothy P. Sheehan (R Ill.), presiding, charged that the loan policy board of the Small Business Administration had established a policy contrary to the intent of Congress when it set up the Administration. (CQ Weekly Report, p. 1026.)

Reps. Sidney R. Yates (D Ill.) and Abraham J. Multer (D N.Y.) joined him in the criticism. They also are members of the Subcommittee.

Sheehan said, at the hearing to determine how the SBA law was working, that the Administration was limiting loans to firms engaged in manufacturing and processing, and generally to only those in essential defense work. He said the intent of Congress was to make loans available to all small business, regardless of its activities, where bank credit was not available and loans could be made on a sound basis.

Reps. Sheehan and Multer said at the close of the hearing that they would demand a change in policy or seek a new law. Bankers, small business interests and SBA officials appeared before the Subcommittee. Some of the small business men told of problems in getting loans.

At another hearing in Cincinnati, Nov. 9, the Committee was told by Eugene L. Concord, Jr., sales manager of Green River Steel Company, Owensboro, Ky., that essential civilian production should be given equal emphasis with defense production. He urged a "definite loan policy."

**REDS IN UNIONS** -- A Senate Internal Security Subcommittee "task force" Nov. 9 opened a hearing into possible Communist infiltration of labor unions in defense plants in the Pittsburgh area. The group, headed by Sen. John M. Butler (R Md.) questioned about a dozen "friendly" witnesses.

Nov. 10, five leaders of the United Electrical, Radio and Machine Workers Union of America (Ind.) refused to say whether they were or had been members of the Communist Party. The five, who admitted they signed affidavits they were not members of the Party, were identified as: Stanley Loney, Harold K. Briney, Robert Kirkwood, Thomas J. Quinn and Thomas E. Flanagan. Each invoked the First and Fifth Amendments.

Two former FBI undercover agents Nov. 12 identified two officials of the UE as Communist Party members, but the men declined to answer questions as to whether the identifications were true.

John W. Nelson, local 506, Erie, Pa., and Allan D. McNeil, Pennsylvania - West Virginia District Six representative, both invoked the Fifth Amendment in refusing to answer questions on Party members.

## Continued Hearings

**RADAR ESPIONAGE** -- Sen. Joseph R. McCarthy (R Wis.), of the Senate Permanent Investigations Subcommittee Nov. 6 announced that hearings into alleged Espionage at the Army Signal Corps Radar Laboratory in Fort Monmouth, N.J., would be broadened to include a probe of alleged spying in "certain specific (defense) firms." (CQ Weekly Report, pp. 1318, 1319.)

McCarthy said that public hearings on the Fort Monmouth probe, scheduled for Nov. 12, would be postponed several weeks. The Chairman announced that a "top Communist undercover agent" had been in telephone contact with the radar center as recently as a week before. McCarthy didn't identify the alleged agent.

McCarthy and Dr. Nathan Pusey, president of Harvard University, continued an exchange that began when the Wisconsin Republican demanded Nov. 5 that Harvard dismiss physics professor Wendell H. Furry, who on Nov. 4 refused to answer certain Subcommittee questions. (CQ Weekly Report, p. 1319.)

A Nov. 6 message to Pusey asked "your attitude toward retaining teachers . . . who refuse to state whether they are Communists on the ground the truth would tend to incriminate them." Nov. 9 Pusey wired that he is "not aware there is (a Communist) among the 3,000 members of the Harvard faculty." Pusey deplored the "use of the Fifth Amendment . . . but we do not regard the use of this Constitutional safeguard as a confession of guilt."

McCarthy Nov. 9 wired: "Even the most soft-headed and fuzzy-minded cannot help but realize that a witness's refusal to answer whether or not he is a Communist on the ground that his answer would tend to incriminate him is the most positive proof obtainable that the witness is a Communist."

On Nov. 9, McCarthy questioned William Henry Taylor, International Monetary Fund director for the Middle East. McCarthy had described Taylor as "protege" of Harry Dexter White. (See page 1339-40.) McCarthy said Taylor denied he was now, or ever was, a Communist, or that he had engaged in espionage.

On Nov. 12, McCarthy opened an Albany, N.Y., hearing into what he termed "alleged Communist infiltration and espionage" at the Schenectady, N.Y., plant of the General Electric Co. Sidney M. Friendlander, official of Local 301, United Electrical, Radio and Machine Workers of America (Ind.), emerged from a closed hearing, and commented: "Nothing happened to indicate to me that this is not an attack on labor in general and on our Union in particular." The UE, ousted from the CIO on the ground it was Communist-dominated, represents about 20,000, or more than half, of General Electric production workers in Schenectady.

McCarthy said a former Communist party member, who voluntarily made the trip from Toronto to Albany to testify, told him the Party had a man in GE's secret Knolls Laboratory, and named 13 GE employees who, the witness said, were Party members last February. The Senator said another witness refused to say whether he was or had been a Communist.



**FARM TOUR** -- John Guthrie, vice-president of the National Cattlemen's Association, and Norman L. Norris, board chairman of the Sequoia Turkey Cooperative, Nov. 10 told the House Agriculture Committee they opposed price supports and controls in their industries. The Committee was scheduled to conclude its Far Western "grassroots" tour in California Nov. 12. (CQ Weekly Report, p. 1318.)

## Reports, Recommendations

**INTERNAL REVENUE** -- The Ways and Means Subcommittee that studied alleged tax frauds issued the first chapter of a report to the full Committee Nov. 8, summing up two years of investigative work. (CQ Almanac, Vol. VIII, 1952, pp. 346-51; Vol. VII, 1951, pp. 512-19.)

The Subcommittee said the Treasury lost \$10 million in taxes as a result of cases decided after top Treasury officials of the Truman Administration stepped in on behalf of taxpayers.

The report cited two 1948 cases:

A favorable capital gains tax ruling on insurance received by the Monsanto Chemical Company on fire destruction of its Texas City, Tex., plant.

A capital assets ruling on drug patents which resulted in reduced taxes for a foundation established by William S. Lasdon, after Welburn Mayock, then counsel to the Democratic National Committee, discussed the case with then-Treasury Secretary John W. Snyder.

Snyder released a statement Nov. 9 in reply to charges in the two cases. He said, "I had no interest in either case other than the interest of justice. . . . I did not make the decision nor did I make any recommendation as to what the decisions should be."

**EUROPEAN ECONOMY** -- The staff director of the joint Congressional Committee on the Economic Report concluded in a survey made public Nov. 8 that Western Europe's own economic restrictions are a greater threat to her economic health than are U.S. trade barriers.

The report by Grover W. Ensley of the Senate-House Committee was based on his recent trip to Europe and was distributed to Committee members. It said, "One should not be led to the conclusion that all of Europe's problems would be solved if the United States continues prosperous and reduces its tariff barriers."

"There appears a more basic obstacle to Western European economic stability and growth--the economic restrictions found in, between and among all of these countries."

## Coming Up

**FEDERAL JOBS** -- Three House Subcommittees Nov. 7 announced a nation-wide study of U.S. government jobs as a basis for revising federal employment practices.

Two Subcommittees of the House Post Office and Civil Service Committee, headed by Reps. Harold C. Hagen (R Minn.) and Robert J. Corbett (R Pa.) said joint visits would be made in November and December to Minneapolis, Chicago, Kansas City, Denver, Sacramento, San Francisco, Los Angeles, New Orleans and Atlanta.

Another unit of the Post Office and Civil Service Committee headed by Rep. Katherine St. George (R N.Y.), was in Dallas, Tex., Nov. 12 and 13 inspecting the first class post office there.

Such problems as performance rating, leave, incentive awards, appeals and grievance procedures, promotions and temporary and emergency agencies were to be studied by the first two Subcommittees.

Chairman Edward H. Rees (R Kan.) of the House Committee released plans for a 1954 legislative program for government employees, including such matters as pay, annual leave, reduction-in-force rules and promotions.

**ALIEN PROPERTY** -- The Senate Judiciary Subcommittee on the Trading with the Enemy Act (CQ Weekly Report, pp. 344, 382.) Nov. 11 announced plans for a hearing to determine if the late Harry Dexter White (See pages 1339ff) exerted any influence over the office of the Alien Property Custodian. Sen. Everett M. Dirksen (R Ill.), head of the Subcommittee, said hearings would begin Nov. 16.

**AGRICULTURE REORGANIZATION** -- Hearings on reorganization of the Agriculture Department, with Secretary Ezra Taft Benson scheduled to testify, have been re-scheduled for Dec. 3, a spokesman for the House Government Operations Subcommittee on Public Accounts said Nov. 12. Subcommittee Chairman George H. Bender (R Ohio) had postponed the hearings, scheduled for Nov. 10 (CQ Weekly Report, p. 1320), because of Benson's work load.

## On Tour

**FAR EAST** -- Sen. H. Alexander Smith (R N.J.), Chairman of the Far East Subcommittee of the Senate Foreign Relations Committee, said Nov. 11 from Tokyo that the Allies should strive "in every possible way to get the Chinese Communists out of Korea" but warned that extreme caution should be used in agreeing to removal of all foreign troops from the Korean peninsula. Smith is on a Far East study trip. (CQ Weekly Report, p. 1320.)

**OVERSEAS BASES** -- Sen. Francis Case (R S.D.), Chairman of the Real Estate and Military Construction Subcommittee of the Senate Armed Services Committee, said in Washington Nov. 12 that French and British Communists are helping build United States air bases abroad. He added that base commanders had assured him that all secret data and equipment were carefully protected and "there could be no sabotage or espionage." Case, whose group recently made a tour of actual or proposed American military bases in Europe, North Africa and the Near East (CQ Weekly Report, p. 1248), said "there is no way to screen out Communist workers in England and France on military projects there." He said he had been told "that many of the workers are called 'Communists' but actually are 'State-Socialists.'"

**ECONOMIC CONFERENCE** -- Sen. Prescott Bush (R Conn.) of the Senate Banking and Currency Committee left Nov. 7 for the Paris Conference of the President's Commission on Foreign Economic Policy. Nov. 9-12.

**EXPORT-IMPORT** -- A joint unit of the House and Senate Banking and Currency Committees, on a Central and South American trip to study operations of the Export-Import Bank, met Nov. 9 in La Paz, Bolivia, with Bolivian President Victor Paz Estenssoro. During its stay in La Paz an attempted revolt against the government was put down. On Nov. 6, the group heard a Peruvian politician complain in Lima that while Peru had always tried to improve commercial relations with the United States, it had not received reciprocal treatment. (CQ Weekly Report, p. 1248.)

**IMMIGRATION** -- Sen. Arthur V. Watkins (R Utah), Chairman of the Immigration and Naturalization Subcommittee of the Senate Judiciary Committee, conferred Nov. 7 with President Mohammed Naguib of Egypt in Cairo. Watkins, accompanied by Ambassador Jefferson Caffery, said he was surprised at what he had learned of modern Egypt and its new government. Watkins, who is making a study of European and Arab refugee problems, left Nov. 9 for Jordan. (CQ Weekly Report, p. 1277.)

**DP PROGRAM** -- Rep. Chauncey Reed (R Ill.), Chairman of a special subcommittee on Immigration of the House Judiciary Committee, said Nov. 8 upon his return from Europe that his group was "satisfied that proper steps are being taken in order to prevent undesirables from entering the United States." Reed said he will recommend to Congress that the United States increase its participation in the Inter-Governmental Committee for European Migration. (CQ Weekly Report, p. 1320.)

**KOREAN REHABILITATION** -- Rep. Charles B. Brownson (R Ind.), Chairman of the International Operations Subcommittee of the House Government Operations Committee, said Nov. 8 that Dr. Syngman Rhee's insistence on "building memorials to his administration" was a factor impeding the rebuilding job in South Korea. Brownson said Rhee was thinking in terms of a new capitol building, superhighways, motel chains and big radio transmitters instead of essential rehabilitation projects. Brownson said that he and the other members of the Subcommittee, who recently studied the rehabilitation program in Korea (CQ Weekly Report, p. 1231), believed that those directing the rehabilitation and reconstruction program in Korea were doing "an excellent job within these limitations."

**PUBLIC WORKS** -- An inspection party composed of members of the Senate and House Public Works Committees, on a study-trip of state needs for federal appropriations for highways and rivers, Nov. 10 inspected bridges, tunnels and highways in the Pittsburgh district of Pennsylvania. Nov. 9 it inspected the Pennsylvania-Ohio and West Virginia district.

#### ELLENDER ON BRITISH

Sen. Allen J. Ellender, Sr. (D La.), recently returned from a 20-nation tour inspecting American Embassies and the Point Four program, said Nov. 9 that the British are "overdoing white supremacy" in the Union of South Africa and British African colonies. On Nov. 7 Ellender said that "the British are spreading propaganda in Africa and elsewhere that the United States is too young and too immature to lead the world." He added, "I guess they have themselves in mind for resuming world leadership." (CQ Weekly Report, p. 1231.)

#### SIKES GIVES VIEWS

Rep. Robert L.F. Sikes (D Fla.) said in a speech Nov. 9 at Jacksonville, Fla., that "there is an unbelievable need for closer correlation between agencies of our government." He said, as an example, "The decision by the Department of State to restore Trieste to the Italians and to evacuate American personnel caught the Department of Defense flatfooted and unprepared." Sikes, a member of the House Appropriations Group just returned from Europe, complained about American Air Corps "plush rest hotels" overseas. (CQ Weekly Report, p. 1320.)

#### NIXON IN KOREA

Vice President Richard M. Nixon arrived in Korea from Formosa Nov. 12 and conferred with South Korea's President Syngman Rhee in Seoul. Nixon delivered to Rhee a letter from President Eisenhower. Before leaving Formosa, Nixon said that Secretary of State John Foster Dulles' statement that the United States had never said it was forever opposed to recognition of Communist China was "nothing new." Nixon said that Dulles had in effect said that "the United States will not consider the question of recognition unless Red China quits following Communist policy and quits taking orders from Moscow." (CQ Weekly Report, p. 1320.)

#### CAPITAL BRIEFS

##### OXNAM Vs. VELDE

Methodist Bishop G. Bromley Oxnam and Chairman Harold H. Velde (R Ill.) of the House Un-American Activities Committee resumed their dispute on Communist "dupes." (CQ Weekly Report, p. 992.) In a Nov. 5 speech Oxnam said some Congressional investigating committees are "saboteurs undermining the free way of life." Velde said Nov. 8 that Oxnam was not "an effective fighter against communism..."

#### BASEBALL DECISIONS UPHELD

The Supreme Court Nov. 9 rejected three appeals involving the baseball reserve clause, upholding in a 7-2 decision a 1922 opinion that baseball did not fall within the scope of federal anti-trust laws.

#### USIA REASSURED

President Eisenhower Nov. 10 told about 900 employees of the U. S. Information Agency that "no one... who serves with ... decency, and to the best of his ability, is ever going to suffer if I can help it."

#### ADMINISTRATION PROGRAM

Sen. Homer Ferguson (R Mich.), Chairman of the Senate Republican Policy Committee, predicted Nov. 12 after a conference with President Eisenhower that the Administration would have a "real, dynamic program" to offer the public in the near future.

#### WOLCOTT ON HOUSING

Chairman Jesse P. Wolcott (R Mich.) of the House Banking and Currency Committee told the Mortgage Bankers Association of America Nov. 11 that private enterprise currently has "another opportunity to prove its worth" by meeting the nation's housing needs.

# Congressional Briefs

## ASKS YOUNG RESIGNATION

Chairman A. L. Miller (R Neb.) of the House Interior and Insular Affairs Committee Nov. 10 called on Philip Young to resign as chairman of the Civil Service Commission. He said Young was blocking Eisenhower Administration attempts to put its own men in top federal positions. President Eisenhower named Young to the Commission March 11. (CQ Weekly Report, p. 339.)

## CONTINENTAL DEFENSE

Chairman Alexander Wiley (R Wis.) of the Foreign Relations Committee Nov. 9 asked for a speed up in continental defenses. In a Park Falls, Wis., speech, he said that America's main retaliatory force -- long-range atom bombers -- are open to destruction by surprise attack. He said only 10 per cent of continental based bombers could be put in the air on an hour's notice.

## MANUFACTURERS TAX

Plans to introduce a bill for a five per cent federal manufacturers excise tax when Congress convenes next year were announced Nov. 8 by Rep. Noah M. Mason (R Ill.) of the House Ways and Means Committee. He said the proposed tax would be "levied on all articles manufactured -- except food and medicine, which constitute a large part of the expenditures of low-income families."

## BONUS FOR JUDGES

Sen. Harley M. Kilgore (D W.Va.) of the Senate Judiciary Committee said Nov. 9 he felt the plan that has the best chance of adoption in the next session of Congress in regard to paying federal judges would be to give the jurists a special bonus in populous states. The Judiciary Committee approved a pay raise bill (S 1663) May 11, but it has not received Senate action.

## URGES TOLL ROADS

In a speech prepared for the American Association of Highway Officials Nov. 10, Sen. Edward Martin (R Pa.) declared that highway construction in the U.S. should be financed by collection of tolls wherever possible. He advocated withdrawal of the federal government from the gasoline tax field and said all such revenue should go to the states for highway building.

## DAM TAX CONCESSIONS?

Sen. Warren G. Magnuson (D Wash.) said Nov. 7 the Idaho Power Company, which has applied to build two proposed Snake River dams, has filed an application for tax concessions on the two proposed projects which ultimately could benefit the company "\$60 million more than the entire cost of the dams."

## "PERSECUTION" OF VETERANS

Rep. Edith Nourse Rogers (R Mass.), Chairman of the House Veterans' Affairs Committee, said Nov. 6 that prosecution of some veterans for filing false medical care financial statements, if not "handled very carefully," could result in "persecution" of all former servicemen.

## WILL CONSULT DEMOCRATS

Senate Republican Leader William F. Knowland (Calif.) indicated Nov. 9 that Democrats will be consulted at the policy-making level, but final responsibility will be kept by the Republicans for the program to be set before the next session of Congress.

Knowland said he favored full consultation with the Democrats before GOP policy is firmed up on major issues. The present Senate party line-up is 47 Republicans, 48 Democrats and one independent.

## ARAB SQUATTERS?

In a speech commemorating the 3,000th anniversary of the founding of Jerusalem, Sen. Matthew M. Neely (D W.Va.) Nov. 9 accused the Arab world of squatting on Palestine and said the Jews are the rightful owners of "not only Israel but all of Canaan."

## FARM CREDIT

Sen. Francis Case (R S.D.) Nov. 11 said the Farmers Home Administration was following a "silly policy" by forcing cattlemen to liquidate their stock before becoming eligible for emergency loans. He said most cattlemen do not want price supports, since "most of our present trouble in beef results from government tinkering during the Roosevelt-Truman era." (CQ Weekly Report, p. 1291.)

## ANTI-RED TEAM

Senate Republican Leader William F. Knowland (Calif.) said Nov. 10 in a New York speech that President Eisenhower could expect the team-like co-operation of Congress in the job of coping with communism. He said President Eisenhower didn't want or expect Congress to be a "rubber stamp" but he added "we're going to have a cooperating teamwork between the President and Congress."

## MARITIME ROLE

In a New York City speech Nov. 7, Sen. Leverett Saltonstall (R Mass.) said government participation in the maritime industry is the only means of maintaining modern, high-speed ships that could operate "on a competitive basis with foreign flag fleets." He said an investigation should be started into the possibilities of atomic propulsion of merchant vessels.

## DELAYED RED TRIALS?

Sen. Alexander Wiley (R Wis.), Chairman of the Senate Foreign Relations Committee, said Nov. 12 that "a hostile Administration" delayed prosecution of key Communist leaders in the U.S. for eight years after 1940 when Congress enacted a law to permit this. He also said Communists were allowed to infiltrate into the United Nations for several years after the FBI warned this was going on. Wiley's statements were made in the foreword to an "Internal Security Manual," intended as a guide for citizens and lawyers on anti-Communist laws.

# Executive Briefs

## The President

### "BIG THREE" MEETING

President Eisenhower, Prime Minister Churchill of Britain and Premier Laniel of France will meet in Bermuda in the period between Dec. 4-8 to discuss the world situation, the White House announced Nov. 10. The conference had been planned for July but was put off.

### BRIAR PIPE TARIFFS

The White House announced Nov. 10 that President Eisenhower had rejected a Tariff Commission recommendation that import duties on low-priced briar pipes be increased. (CQ Weekly Report, p. 249.) He had concluded that the domestic industry's difficulties result from shifts in consumer demand, not from imports.

### CANADIAN TRADE

President Eisenhower and the Canadian government announced Nov. 12 the establishment of a joint United States-Canadian Committee on Trade and Economic Affairs, of cabinet rank, to consider "broad questions affecting the harmonious economic relations of the two countries."

### TRAMBURG HEADS SOCIAL SECURITY

President Eisenhower Nov. 10 appointed (subject to Senate confirmation) John William Tramburg, Madison, Wis., welfare official, to succeed Arthur J. Altmeyer as Commissioner of the Social Security Administration.

## Departments, Agencies

### DEBT NEAR LIMIT

Secretary of Treasury George M. Humphrey Nov. 9 ordered his Department to use \$500 million from its "free gold" supply to retire that amount of Treasury notes held by the Federal Reserve System. The result was to leave the federal public debt at about \$274.5 billion, half a billion below the debt ceiling set by law.

The move was necessitated by the Treasury's delivery of \$2.24 billion of 2 3/4 per cent bonds it sold to investors and its acceptance of that amount of money borrowed through the sale of these securities. The sale officially went on the books Nov. 9. If Humphrey had not taken action the debt ceiling would have been broken.

### \$8 BILLION DEFICIT?

Humphrey the same day said the government faces a possible deficit of \$8 to \$9 billion next year unless spending can be reduced or taxes raised.

Administration officials had been quoted as saying the budget they are now preparing for presentation to Congress would not be balanced, but Humphrey's statement was the first official estimate of how big the deficit would be.

## Eisenhower Meets Press

President Eisenhower Nov. 11 said it was inconceivable to him that former President Truman would knowingly do anything to damage the U.S. or knowingly appoint a Communist spy to high office. He said he would not have subpoenaed Mr. Truman to testify before a Congressional committee on the Harry Dexter White case, and probably would not have subpoenaed Justice Tom C. Clark. (See pages 1339-1342.) In other news conference comments, the President:

Declared he was pleased with the Nov. 10 election of a Republican in California's 24th Congressional District (See page 1331)

Said no formal agenda had been drawn for the Bermuda conference Dec. 4

Released what he called an encouraging report on Navy efforts to end segregation at Southern installations

Said he was pleased that there was no indication of rigging in the Philippine Islands election.

## SOCIAL SECURITY

The Secretary of Health, Education and Welfare, Oveta Culp Hobby, told newsmen Nov. 7 that President Eisenhower's program to extend social security should "rank high on the priority list" of legislation for the second session.

## RECLAMATION PLANNING

W. A. Dexheimer, Commissioner of the Bureau of Reclamation, complained Nov. 11 that funds cuts imposed by Congress this year reduced "our ability to carry on orderly planning" for a backlog of future reclamation projects.

## DEFENSE PRODUCTION

Secretary of Defense Charles E. Wilson said Nov. 10 that defense production bottlenecks have been eliminated. He said Nov. 11 that military medical manpower was being reduced by 1,600 to decrease the number of physicians and dentists called from civilian life.

## Commissions

### LEAD, ZINC IMPORTS

The Tariff Commission concluded hearings Nov. 8 on the effect of lead and zinc imports on domestic mining. (CQ Weekly Report, p. 1316.) Spokesmen for U. S. importers and for foreign producers opposed use of the escape clause to raise tariffs.

Nov. 5, Jean Vuillequez, vice-president and sales director of the American Metal Company, testified that price drops had been caused by fluctuations in demand, not by increased imports. He warned against cutting imports sharply. If assistance to U. S. mines is necessary, he said, it should take the form of subsidies and tax concessions, not higher tariffs. Nov. 6, V. C. Wansbrough, vice-president and managing director of the Canadian Metal Mining Association, also contended that low prices had not resulted from tariff concessions, but rather from over-production encouraged by government stockpiling and economic aid.



Brownell Says Truman Knew...

## THE HARRY DEXTER WHITE CASE

Attorney General Herbert Brownell, Jr., Nov. 6 charged that former President Truman knew the late Harry Dexter White was a "Russian spy" when White's nomination as Executive Director of the U.S. mission to the International Monetary Fund was approved by the Senate in 1946.

Brownell, in a speech to the Chicago Executives Club, asserted two FBI reports on White were "delivered" to Truman, through Brigadier Gen. Harry Vaughan, Presidential aide, one in December, 1945, another on Feb. 4, 1946.

On Feb. 4, 1946, when White's IMF nomination was unanimously approved by the Senate, he was serving as an Assistant Secretary of the Treasury in charge of monetary research. Truman nominated him for the IMF post on Jan. 23, 1946.

Brownell admitted the FBI reports on White could not be made public "even now, without compromising important sources of information." But, "there certainly was no reason," charged Brownell, that the Senate could not be informed of the "established fact that White was a spy."

The Brownell statement followed by two days a Nov. 4 statement by Sen. Joseph R. McCarthy (R Wis.) that Republicans could blame recent election defeats on failure to talk about Communists-in-government. (CQ Weekly Report, p. 1311.)

### WHITE NAMED BY COMMITTEES

A July 30, 1953 report of the Senate Internal Security Subcommittee was identified Nov. 7 as an excerpt from the 1945 FBI report.

The Committee print -- "Interlocking Subversion in Government Departments" -- identifies White as a member of a ring spying on the government, on pages 2, 4, 8, 19, 21, 29 and 30.

According to the Subcommittee print, Elizabeth Bentley and Whittaker Chambers, admittedly once Communists, identified White as a member of the Nathan Silvermaster spy ring. The Subcommittee has released excerpts from the report. (CQ Weekly Report, p. 497-8, 1120, 1194, 1276.)

(For current committee activity, see UN-AMERICAN and WHITE REPORT, p. 1333, and ALIEN PROPERTY, p. 1335.)

In 1948, the House Un-American Activities Committee heard testimony from Miss Bentley and others that White knew members of a government group engaged in the relay of information to Communist couriers. (CQ Almanac, Vol. IV, 1948, p. 274.)

On Aug. 13, 1948, White appeared before the House group and vigorously denied any connection with the Silvermaster ring or the Communist Party. White died three days later after a heart attack.

### White's Career

Harry Dexter White entered government service in 1934, as Assistant Director of Research for the U.S. Treasury. In 1940 he became Director of Monetary Research.

He was, in turn, special Assistant to the Secretary (1942); Assistant to the Secretary (1943-45); Assistant Secretary (1945-46); U.S. Executive Director, International Monetary Fund (1946-47.)

White was a chief technical expert for the U.S. at the Bretton Woods Monetary Conference in 1944. He reportedly drafted the so-called Morgenthau plan for the treatment of Germany after World War II. He held a Ph. D. degree from Harvard (1930); the degrees of A. B. and M. A., from Stanford, and also studied at Columbia.

White died Aug. 16, 1948. He was 56. His papers were donated to the Princeton University Library.

### CHARGE STIRS CONTROVERSY

The Brownell charge that Truman knew of White's spying activities, and notwithstanding this, promoted him, seemingly hit the nation harder than any loyalty charge since the Alger Hiss case. Truman said Nov. 6 he didn't recall the FBI reports.

"As soon as we found out that White was wrong we fired him," Truman said. The former President declared the GOP was "desperate" to offset what has "happened in New York and New Jersey (elections.)" (CQ Weekly Report, pp. 1311-1313.)

White House press secretary James C. Hagerty said it was "not true" that White was fired. Hagerty produced a letter of resignation from White to Truman dated April 7, 1947. Truman countered: "People are sometimes fired by being allowed to resign."

"SHOCKING" . . . "SHAMEFUL"

Other comment Nov. 6:

Vaughan said he had no recollection of having known White and "certainly never received any such report" from the FBI.

House majority leader Charles A. Halleck (R Ind.) asserted the disclosure was "further evidence" that the Truman Administration "permitted (government) infiltration by Russian espionage agents."

Sen. Margaret Chase Smith (R Maine): "Shocking."  
Sen. James H. Duff (R Pa.): "Shocking, horrible, terrible."

Chairman Harold H. Velde (R Ill.), of the House Un-American Activities Committee declared it was "shameful that steps were not taken to prosecute White for perjury."

House Whip Leslie C. Arends (R Ill.): "The democratic Party, to the White house itself has served as the



vehicle for the penetration (into government) of a secret Communist underground."

Hagerty announced that President Eisenhower had advance knowledge of, and approved, the Brownell disclosure.

Internal Security Subcommittee Chairman William E. Jenner (R Ind.) announced that Vaughan had been subpoenaed for appearance Nov. 12. (See page 1333.)

On Nov. 7, Democratic National Chairman Stephen A. Mitchell charged the Brownell statement was released in time to affect the outcome of the Congressional election in the 24th District of California. A Republican candidate won Nov. 10. (See page 1331.)

Mitchell challenged the Eisenhower Administration to place the Brownell charges before a grand jury. Sen. McCarthy Nov. 8 called the Mitchell challenge "completely dishonest." McCarthy said:

"Anyone with an ounce of brains knows you can have a completely documented case of espionage which would not be a legal case."

Sen. Allen J. Ellender (D La.) asserted the White case was raised in an effort to "fool the people" and divert attention from the "lack of progress by the (Eisenhower) Administration."

McCarthy charged that a "protege" of White's now holds a high post with the Fund, although the FBI denounced the man as an espionage agent during the Truman Administration. McCarthy later identified him as William Henry Taylor, IMF director in the Middle East.

Truman said it was "never proved that White was a spy" and he was "never indicted by a grand jury."

T. Lamar Caudle, former Department of Justice official, ousted in 1952 (CQ Almanac, Vol. VIII, 1952, p. 267.), said he "begged and pleaded" with his superiors to stop Senate confirmation of White. Caudle said he gave then-Attorney General Tom C. Clark, now Supreme Court Justice, adverse reports on White.

#### REPORTS MISSING?

The whereabouts of the two FBI reports became wrapped in mystery. Hagerty said a search of the White House revealed no confidential files "from the past Administration," but added it was customary for a President to take his files when leaving office. Truman said he didn't know where the reports were, and would institute a search of his papers.

"They must be in the files of the Attorney General," Truman said, "if he hasn't done away with them." Brownell retorted: "He'll be sorry he made that statement."

McCarthy Nov. 9 began hearings on a side issue, what he termed the failure of Fund officials to take action against White's "protege." (See page 1334.)

Brownell repeated that the Truman Administration had "full and adequate notice" of White's spying activities when it advanced him to the fund post. He named nine persons who had this knowledge: Vaughan, Clark, Gov. James F. Byrnes (D S.C.), then Secretary of State; the late James V. Forrestal, then Secretary of the Navy;

Spruille Braden, then Assistant Secretary of State; Adm. William D. Leahy, then Military Chief of Staff to the President; Gen. Hoyt S. Vandenberg, then Assistant Chief of Staff for War Department Intelligence; the late Fred M. Vinson, then Secretary of the Treasury and later Chief Justice of the U.S., and Fred Lyon, then head of the Division of Foreign Activity Correlation of the State Department.

Byrnes said he went to the White House when the White nomination was before the Senate and told Truman he was "shocked." Byrnes quoted the President as saying he had "read the report," and said he also was "surprised."

Leahy asserted he "never saw any FBI report" on White.

Sen. Duff called for a law requiring FBI reports on Presidential nominees to be sent to the appropriate Senate committee considering the nomination.

Former Civil Service Commission Chairman Harry B. Mitchell said he couldn't understand why the FBI report on White would not be sent to the Loyalty Board, which "had jurisdiction in all loyalty matters over every employee, no matter how high his position."

T. Vincent Quinn, now Queens County (N.Y.) District Attorney said charges that White was connected with a spy ring were presented to a grand jury in 1947, but the jury did not return an indictment. Quinn then was a special Assistant Attorney General in charge of presenting to the grand jury cases of persons mentioned by Miss Bentley. Quinn later (1949-1952) served in Congress, before resigning to become District Attorney.

On Nov. 10, Truman, Byrnes and Clark were subpoenaed by the Un-American Activities Committee for testimony Nov. 13. The Internal Security group arranged for Byrnes to answer written questions about his recollection of his conversation with Truman.

Brownell commented that the White case was only the beginning of a Republican expose of alleged Democratic coddling of Communists.

Truman said it was ridiculous to suggest that he was soft toward communism when he was President. "I think the record will prove" (I wasn't) he asserted.

#### DIVERSION?

Mitchell charged the Republicans "tried" Truman "before a luncheon club" to divert attention from "messes" in New York state. He said Brownell was being groomed to succeed Gov. Thomas E. Dewey (R N.Y.), and referred to what he called a relationship between GOP office-holders, harness racetrack officials and labor racketeers. (CQ Weekly Report, p. 1287.)

Braden said he received an FBI report on Communists in 1945, but could not recall if the report mentioned White.

The Newark (N.J.) Evening News reported that 500 FBI agents worked for about a year in 1946 in a futile attempt to establish a connection between White and other suspected Communists. The FBI "gave up" in January, 1947, and White and 30 others in the government were "dismissed," according to the News.

Sen. Harley M. Kilgore (D W.Va.) asked the FBI to explain why it didn't send its report on White to the "Senate Committee which considered his nomination." Kilgore, asserted the Banking Committee apparently approved White for the Fund post without knowledge of either FBI report.

Brownell announced his office plans to hire about 40 law school students to track down Communists. He said the students will be selected from colleges near Washington for the part-time work, for which they will receive college credit.

#### EISENHOWER'S STATEMENT

President Eisenhower, at his Nov. 11 news conference said it was inconceivable to him that Truman would do anything to damage the U. S. Mr. Eisenhower added that he would not have subpoenaed Truman or Clark but he is not telling the Congress how to run its business.

The President added that he doesn't believe FBI reports should be made public; that there is too much unevaluated material in them. He noted that he doesn't even look at such reports unless it is essential.

#### COMMITTEE ARGUES

An Un-American Activities Committee dispute arose over the subpoena. Velde announced that a decision on whether to go on with the hearing would be left to the full Committee. The Committee on March 12 had adopted a resolution barring the start or announcement of a new hearing unless approved by the full group. (CQ Weekly Report, p. 340, also page 1333.)

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## TRUMAN SAYS NO . . . "LONG LINE OF PRECEDENTS"

Former President Harry S. Truman Nov. 12 refused to comply with a subpoena to appear before the House Un-American Activities Committee. His refusal was by letter to Chairman Harold H. Velde (R Ill.).

Truman said he was "constrained by duty" to decline "in spite of a personal willingness to cooperate." The former chief executive said he was "carrying out the provisions of the Constitution" and was following a "long line of precedents commencing with George Washington in 1796."

He began his statement: "I assume you wish to examine me about matters which occurred when I was President of the United States." He named 16 Presidents who "declined to respond to subpoenas or demands for information of various kinds by Congress."

#### JEFFERSON WAS SUBPENAED

At least once before in American history, a President was subpoenaed. Thomas Jefferson, in 1807, while he was President, was summoned in the trials of Aaron Burr, and declined to appear. Some accounts say two subpoena attempts were made. This summons was Judicial, not Congressional, and Jefferson was then in office.

However, the question of whether a former President can be subjected to compulsory interrogation regarding actions that were beyond the scope of Congressional in-

quiry when he was President, is a large one. Former President Herbert Hoover, and perhaps other former Presidents, have appeared before committees by invitation.

The Truman subpoena came from a House Committee. The Jefferson subpoena came from the Judiciary. But federal courts and Congressional committees both derive their subpoena powers from Acts of Congress. And their subpoenas have the same kind and degree of compulsion behind them.

#### SO WAS VELDE

Rep. Velde himself once said he would refuse to answer a subpoena. On May 3, 1949, after he was subpoenaed to appear before a federal grand jury in New York City in connection with its investigation of subversive activities (the Judith Coplon case), Velde issued a statement saying, in part: "I shall use my prerogative as a Member of Congress and refuse to answer this subpoena."

He said debate on "labor legislation . . . will continue during the time I am called to appear" and said he could not testify about the work of the House Un-American Activities Committee without the consent of the full Committee.

The subpoena was for May 4. On May 6 Velde did appear to testify before the grand jury.

Walter charged that Velde was "getting his instructions" from the Republican National Committee.

Another committee member, Kit Clardy (R Mich.), hoped "nobody gets the impression" the forthcoming hearing "is a trial because it isn't." Two Committee Democrats, Rep. James B. Frazier, Jr. (Tenn.), and Moulder demanded that Brownell be the first witness. "The whole thing smacks of politics," said Moulder.

Moulder said the Eisenhower statement seems to "repudiate the action taken by the Attorney General and ... Velde."

Sen. Ellender said he and other members of the Senate Appropriations Committee had been assured "over and over again" by FBI Director J. Edgar Hoover that the agency "never makes a conclusion." Ellender said he "didn't believe" that the FBI report quoted by Brownell called White a "spy." Sen. Homer Ferguson (R Mich.), head of the Senate Republican Policy Committee, said he didn't agree with the decision to subpoena Truman, but couldn't find objection "as a lawyer."

## "MORAL CLIMATE" CHANGES

Former Vice President Alben Barkley said he couldn't comment about the White case because he didn't know anything about it. Mrs. Franklin D. Roosevelt said the nation's "moral climate" had changed, placing the White case in a different perspective from that of 1946. She said she believed both Truman and Byrnes are telling the truth "as they recall it."

Velde said the Committee would go to South Carolina to hear Byrnes after the governor wired he could not "with due respect" accept the summons to Washington. Byrnes asserted he "cannot, as chief executive, admit your right to command a governor to leave his state and remain in Washington until granted leave..."

Brownell stated he was not questioning Truman's loyalty. "That there was laxity now seems beyond question," he added.

Adlai Stevenson declared that to subpoena a "former President, a governor and a Supreme Court Justice" is "a serious thing. To do it for partisan purposes" could "dangerously discredit orderly Congressional investigation."

Methodist Bishop G. Bromley Oxnam, who appeared before the Committee (CQ Weekly Report, p. 992.), called the Truman subpoena "regrettable." Oxnam added it was time for Eisenhower to tell the American people: "We want no more McCarthyism."

Sen. Everett M. Dirksen (R Ill.), Chairman of the Judiciary Committee's Subcommittee on Alien Property, announced hearings will start Nov. 16 to determine whether White exercised any influence over the office of the Alien Property Custodian. (See page 1335.)

White's sister, Mrs. Bessie Bloom, of Newton, Mass., made public two letters in praise of White purportedly written by former Treasury Secretaries Henry Morgenthau, Jr., and John W. Snyder. Snyder's letter was written April 8, 1947 and Morgenthau's, Aug. 18, 1948, she said.

## TRUMAN REFUSES

On Nov. 12, Former President Truman declined to comply with the Un-American Activities Committee subpoena. (See box, p. 1341.) A few minutes earlier, Velde had announced that the meeting scheduled for Truman's appearance was indefinitely postponed, but said he was not dropping the matter. "I feel very definitely that Truman ... should appear."

Freshman Rep. D. Bailey Merrill (R Ind.) asserted the Truman subpoena was a "political blunder." He said he didn't see that "Velde had any business jumping in at this time." Merrill said the subpoena had the effect of switching the spotlight from the White case to the subpoena-Truman issue.

Newspaper stories said friends and associates of Truman had revealed the former President kept White in his Administration to cooperate with the FBI, so Communists would not learn White was under surveillance. Accounts appeared in the New York Times, The Newark Evening News, and the Chicago Sun-Times and Daily News, among others.

## What Brownell Said

The White incident statements of Attorney General Herbert Brownell, Jr.:

Nov. 6 -- "Harry Dexter White was a Russian Spy. He smuggled secret documents to Russian agents for transmission to Moscow. Harry Dexter White was known to be a Communist spy by the very people who appointed him to the most sensitive and important position he ever held in government service. ... I can now announce officially ... that the records in my Department show White's spying activities ... were reported in detail by the FBI to the White House by means of a report delivered to President Truman through his military aide (then) Brig. Gen. Harry H. Vaughan."

Nov. 9 -- "Notwithstanding this report, which had been received by the White House more than a month before, President Truman made public announcement of the nomination of White. ... (The report and other reports to others in the Administration) clearly shows that the Truman Administration had full and adequate notice of White's spying activities long before he assumed the duties, on May 1, 1946, of this most important and sensitive office (in the International Monetary Fund.)"

Nov. 11 -- "In charging there has been laxity, which I believe to be the case, there is no intention of impugning the loyalty of any high official of the previous Administration. That there was laxity now seems beyond question..."

The Senate Banking and Currency Committee disclosed a check of files revealed that no hearings were held in 1946 on the White nomination for the monetary Fund post. On White's name in the files were the notations: "OK Tydings" and "OK Radcliffe." Millard E. Tydings (D) and George L. Radcliffe (D) were the Maryland Senators at the time, and White's official residence was listed as Maryland. It was the practice then, as now, to get clearance from home state Senators before committee approval.

Caudle and Vaughan testified Nov. 12 before the Senate Internal Security Subcommittee. (See page 1333.) The Un-American group voted unanimously to invite Brownell to appear. Brownell accepted an "early meeting" with the group.

On Nov. 13, Clark refused to comply with the Un-American subpoena, but offered to give "serious consideration" to any written questions the Committee might send him. He based his refusal on the ground that the Judiciary was independent of the Legislative branch.

Truman said his refusal to answer the subpoena did not necessarily mean he would remain silent. Velde asserted Nov. 13 he had some questions to ask Vaughan.

## CORRECTION

Figures for Sen. Everett McKinley Dirksen (R Ill.) on chart, CQ Weekly Report, p. 1306, should read:

Col. 2 -- 7 (not 9)

Col. 3 -- 83 (not 79)

Col. 4 -- 8 (not 6)

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## congressional quiz

1. Q--When the Senate reconvenes in January, it will have 48 Democrats, 47 Republicans and one independent. Will Sen. William F. Knowland (R Calif.) still be referred to as "majority" leader?

A--Yes. The Senate considers itself a continuing body and its organization, once established by the majority party, does not change unless a resolution to change it is adopted. If the Democrats were to force the issue of control, seeking in name as well as fact to become the majority party, they would need all Democrats' votes, plus an abstention or vote for them from Sen. Wayne Morse (I Ore.). Morse has said the GOP should continue in control until after the 1954 elections. In case of a tie vote, Vice President Richard M. Nixon (R) could swing the question in favor of the GOP.

2. Q--During the recent New York City mayoralty campaign, I again heard references to "Tammany Hall." What is it?

A--Tammany Hall is the nickname for the regular Democratic organization of New York (Manhattan) County. It was given this name because, from an early date until recently, the organization held meetings in the hall of the Society of Tammany, sometimes called the Columbian Order, a benevolent society founded in 1789. The Society was named after Saint Tammany, a Delaware Indian chief friendly to white men. The Mayor-elect, Robert F. Wagner, Jr., is Manhattan Borough President.

3. Q--How many Presidents of the U.S. served in Congress?

A--Twenty-two of the 33 Presidents, from Washington to Eisenhower, served in Congress, under the Constitution or the Articles of Confederation. The eleven who never served in Congress were Taylor, Grant, Arthur, Cleveland, Theodore Roosevelt, Taft, Wilson, Coolidge, Hoover, Franklin Roosevelt and Eisenhower. Three of the 22 Congress Members who became Presidents served only in the Continental Congress. After adoption of the Constitution, five Presidents-to-be, served in the U.S. Senate. Seven served in the House. Seven other Chief Executives served in both the House and Senate.

4. Q--How close is the Treasury to the legal limit for the nation's public debt?

A--On Nov. 9, the Treasury marketed \$2 billion in 94-month bonds and used a half a billion dollars of its unobligated "free gold" supply to retire that amount of Treasury notes held by the Federal Reserve System. These actions left the total net public debt subject to the \$275 billion legal limit at about \$274.5 billion. The Treasury's working

cash surplus was then about \$4 billion. This can be used to wipe out more of the debt through purchase of Treasury notes from the System.

5. Q--How many persons have been fired for security reasons by the Department of State?

A--The Department announced Nov. 5 that 306 Americans, and 178 foreigners employed abroad, had been removed from its payroll for security reasons since the Eisenhower Administration assumed office Jan. 20. The White House announced Oct. 23 that 1,456 employees had been forced out of federal jobs in four months of the Administration's new security program.

6. Q--Is the Congress considering a health insurance plan?

A--A subcommittee of the House Interstate and Foreign Commerce Committee Nov. 5 left for Europe to study health and hospital programs there. Charles A. Wolverton (R N.J.), Chairman of the three-man subcommittee and of the parent group, said the principal purpose was to learn more about methods of meeting financial problems stemming from serious illness, and especially insurance plans. The Committee recently ended hearings on disease and medical insurance plans provided by private enterprise.

7. Q--How much will the nation spend on its defense effort this year?

A--Secretary of Defense Charles E. Wilson estimated Nov. 3 that the defense bill may run to \$42 billion for fiscal 1954, ending next June 30. Actual spending, of course, will not be known until the fiscal year ends and the Treasury totals the Defense Department's cancelled checks.

8. Q--How many bills have been vetoed by President Eisenhower?

A--Ten, of the 525 public and private bills (excluding resolutions) approved by the Congress. Four vetoed bills originated in the Senate, six in the house. Of the 10, six were "pocket-vetoed" and four were returned to Congress while it was in session. Only three of the 10 were public bills. Only one public bill, to repeal the 20 per cent tax on movie theater admissions, was regarded as of major importance.

NOTE: CQ Weekly Report pages on which additional data may be found: (2) 1313, (4) 1322, (5) 1321, (6) 1247, 1321, (7) 1315, (8) 1072, 1135.